

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7524

BILL NUMBER: SB 574

NOTE PREPARED: Apr 29, 2005

BILL AMENDED: Apr 29, 2005

SUBJECT: Local Taxes.

FIRST AUTHOR: Sen. Server

FIRST SPONSOR: Rep. Becker

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

(A) The bill requires the Lake County Convention and Visitor Bureau to establish an Alternate Revenue Fund (ARF) consisting of all money (other than innkeeper's tax revenue) received by the Bureau after June 30, 2005. The bill provides that the Bureau is not required to submit a budget to the County Council with respect to either the ARF or the existing Convention, Tourism, and Visitor Promotion Fund. The bill specifies that all members of the Bureau serve for terms of three years. The bill legalizes and validates the participation of the employees of the Bureau in insurance programs established by the Lake County government for the employees of the Bureau.

(B) The bill extends the distribution of a portion of the Vanderburgh County Innkeeper's Tax to the Convention Center Operating Fund. The bill provides that the amount of innkeeper's tax revenue deposited in the Tourism Capital Improvement Fund (TCIF) increases to the amount generated by a 2.5% innkeeper's tax rate in 2010 (rather than a 3.5% rate beginning in 2006). The bill eliminates obsolete text in the Vanderburgh County Innkeeper's Tax law.

Effective Date: Upon passage; July 1, 2005; December 31, 2005.

Explanation of State Expenditures: **(A)** Under the bill, the State Board of Accounts (SBA) would be allowed to audit the proposed Lake County ARF. The SBA should be able to administer this provision within their existing budget.

Explanation of State Revenues:

Explanation of Local Expenditures: (A) Under the bill, the Lake County Convention and Visitor Bureau (the Bureau) would be required to establish an ARF. The ARF would be able to consist of appropriations, gifts, grants, membership dues, and contributions from any public or private source. The Bureau would be able to establish an ARF within their existing resources.

The Bureau would be able to expend money from the ARF *without appropriation* by the Lake County Council. Money in the ARF would be used to promote and encourage conventions, trade shows, visitors, special events, sporting events, and exhibitions in Lake County. The bill also eliminates the requirement that the Bureau submit its budget for the Promotion Fund to the County Council for review and approval.

Additionally, any revenue deposited in the ARF would be allowed to be transferred to any Indiana nonprofit corporation to promote and encourage conventions, trade shows, visitors, or special events in Lake County. Under current law, the County Convention, Visitor, and Tourism Promotion Fund (into which the County's Innkeeper's Tax revenue is deposited) may be used to provide transfers to Indiana nonprofit corporations to promote the above listed events.

The bill specifies that revenue derived from Riverboat Wagering and Riverboat Admissions taxes would not be allowed to be transferred to the ARF.

Lake County CVB Health Insurance: Currently, health insurance benefits for Lake County government employees are extended to approximately 13-14 full-time employees of the Lake County Convention and Visitor Bureau. The Bureau's employer share is currently \$800 per employee per month for health, dental, and vision. Employees of the Bureau pay \$25 (single), and \$50 (family) per month to have the coverage. Based on the above figures, it is estimated that the Bureau's total employer share for health insurance coverage is approximately \$10,400 to \$11,200 per month.

(B) The bill would allow a four-year extension for a portion of Vanderburgh Innkeeper's Tax revenue to be placed into the Tourism Capital Improvement Fund (TCIF) at a 1.5% rate. Under current law, Innkeeper's Tax revenue is placed in the Improvement Fund at a 1.5% rate until January 1, 2006. Under current law, after December 31, 2005, the rate of the TCIF would increase to 3.5%. Under the bill, the rate of the TCIF would not increase until after December 31, 2009. At that date, the rate would increase to 2.5% instead of the 3.5% allowed under current law. The remaining revenue generated by a 1% rate that would have been in the TCIF, under current law, would be indefinitely placed into the Convention Center Operating Fund (Operating Fund). Any balance in the Operating Fund that remained on January 1, of every year would annually be transferred to the TCIF.

Under current law, the Operating Fund is set to expire January 1, 2006. Money in the Operating Fund is used to pay operating expenses of the convention center.

Background: In FY 2004, Vanderburgh County Innkeeper's Tax revenue was \$2.03 M. The following chart exhibits the rate, percent share of revenue, and amount of revenue per fund under current law and the proposal.

Fund	CY 2005 Rate (Current Law)	CY 2005 Revenue % Share (Current Law)	Share of Revenue (Current Law)	CY 2010 Rate (Proposed)	CY 2010 Revenue % Share (Proposed)
Convention and Visitor Promotion Fund	2.50%	41.7%	\$0.84 M	2.50%	41.7%
Tourism Capital Improvement Fund	1.50%	25%	\$0.51 M	2.50%	41.7%
Convention Center Operating Fund	2%	33.3%	\$0.68 M	1%	16.7%
TOTAL	6%	100%	\$2.03 M	6%	100%

*Totals may not sum due to rounding.

Explanation of Local Revenues: (A) *Summary:* Any revenue, except Innkeeper's Tax, Riverboat Wagering Tax or Riverboat Admission Tax revenue, may be deposited in the proposed Lake County ARF after June 30, 2005. The bill would not effect any change in the deposit of tax revenue into the County's Convention, Visitor, and Tourism Promotion Fund and other entities as specified in current law.

Background: Lake County collected \$2.1 M in Innkeeper's Tax revenue in FY 2004. All Innkeeper's Tax revenue would still be distributed to the Convention, Visitor, and Tourism Promotion Fund; Indiana University Northwest, various cities and towns in the County; Purdue University Calumet; and Gary and Hammond convention facilities under the provisions of current law. Projects for which revenue in the Promotion Fund may be used would still be subject to public review.

(B) The bill does not increase the Vanderburgh County Innkeeper's Tax, therefore, this provision of the bill would be revenue neutral.

State Agencies Affected: State Board of Accounts.

Local Agencies Affected: Lake County, Vanderburgh County.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*; Association of Indiana Counties: *17th Annual County Factbook, 2002*; Bob Walls, Department of State Revenue; Vanderburgh County Treasurer; James Tsismankis, Lake County Convention and Visitor Bureau, 1-800-255-5253.

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